

**Assembly Joint Resolution**

**No. 40**

**Introduced by Assembly Member Skinner**

**(Coauthors: Assembly Members Beall, Block, Blumenfield, Buchanan, Charles Calderon, Chesbro, Dickinson, Eng, Huffman, Lara, Ma, Perea, and Williams)**

May 15, 2012

Assembly Joint Resolution No. 40—Relative to mortgages.

LEGISLATIVE COUNSEL’S DIGEST

AJR 40, as introduced, Skinner. Mortgages.

This measure would urge the Federal Housing Finance Agency, and specifically its director, Edward DeMarco, to immediately allow the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation to offer principal reductions to homeowners who owe more on their home loans than what their homes are worth.

Fiscal committee: no.

- 1 WHEREAS, Since 2008, more than half a million Californians
- 2 have lost their homes to foreclosure and another half million homes
- 3 are currently in foreclosure or are at imminent risk of foreclosure;
- 4 and
- 5 WHEREAS, There are over 2 million California homes currently
- 6 “underwater” where property owners owe more than what the
- 7 home is worth and collectively the value of these homes is over
- 8 \$196 billion; and
- 9 WHEREAS, Foreclosures too often become vacant, boarded-up
- 10 hazards, lower surrounding property values, increase criminal

1 activity in neighborhoods, and discourage economic development  
2 and investment in communities; and

3 WHEREAS, The wave of foreclosures that has already hit  
4 California substantially decreased tax revenue, which led to budget  
5 deficits, increased unemployment, and billions of dollars in cuts  
6 to schools, health services, and other vital services; and

7 WHEREAS, The Federal Housing Finance Agency oversees  
8 the Federal National Mortgage Association (Fannie Mae) and the  
9 Federal Home Loan Mortgage Corporation (Freddie Mac), the two  
10 companies that control over one-half of the home loans in the  
11 United States, and specifically over 60 percent of California  
12 mortgages; and

13 WHEREAS, The director of the Federal Housing Finance  
14 Agency, Edward DeMarco, has steadfastly opposed allowing  
15 Fannie Mae or Freddie Mac to offer principal reductions to  
16 homeowners who owe more on their homes than what they are  
17 worth; and

18 WHEREAS, On February 9, 2012, Attorney General Kamala  
19 Harris announced that California will join a national servicing  
20 settlement that is estimated to provide up to \$40 billion in benefits  
21 to borrowers across the country and much of these benefits include  
22 a program of principal reductions; and

23 WHEREAS, Fannie Mae and Freddie Mac refused to participate  
24 in the national settlement agreement, meaning more than one-half  
25 of the home loans in the country will see no relief from this  
26 agreement; and

27 WHEREAS, Many economists and housing experts agree that  
28 principal reductions are the most helpful tool for limiting the  
29 number of foreclosures; and

30 WHEREAS, By refusing to allow principal reductions, the  
31 Federal Housing Finance Agency is ensuring that tens of millions  
32 of homeowners nationwide will continue to owe more on their  
33 home loans than what their homes are worth; and

34 WHEREAS, Allowing principal reductions for Fannie Mae and  
35 Freddie Mac mortgages could deter another wave of costly  
36 foreclosures nationwide; now, therefore, be it further

37 *Resolved by the Assembly and the Senate of the State of*  
38 *California, jointly,* That the Legislature urges the Federal Housing  
39 Finance Agency, and specifically its director, Edward DeMarco,  
40 to immediately allow the Federal National Mortgage Association

1 and the Federal Home Loan Mortgage Corporation to offer  
2 principal reductions to homeowners who owe more on their home  
3 loans than what their homes are worth; and be it further

4 *Resolved*, That all cities and counties in California that suffer  
5 the effects of foreclosures along with the individual homeowners  
6 involved should also be engaged in efforts to convince the Federal  
7 Housing Finance Agency to offer principal reductions as a means  
8 of preventing further economic and societal harm to our  
9 communities; and be it further

10 *Resolved*, That the Chief Clerk of the Assembly transmit copies  
11 of this resolution to the President and Vice President of the United  
12 States, to the Speaker of the House of Representatives, to the  
13 Majority Leader of the Senate, the Director of the Federal Housing  
14 Finance Agency, to each Senator and Representative from  
15 California in the Congress of the United States, and to the author  
16 for appropriate distribution.